

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /099 W
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R 190311Z AUG 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4318

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 4781

E.O. 11652: GDS

TAGS: ENRG PINT MY

SUBJ: RAZALEIGH AND THE PETROLEUM NEGOTIATIONS

REF: (A) KUALA LUMPUR 4674 (NOTAL), (B) KUALA LUMPUR 4379,
(C) KUALA LUMPUR 4353

1. SUMMARY. LOCAL ATTORNEY ALEX LEE, WHO HAS CONNECTIONS BOTH WITH EXXON AND WITH PRIME MINISTER HUSSEIN, HAS TOLD THE AMBASSADOR THAT PETRONAS IS BEING MORE OBSTINATE THAN EVER IN ITS NEGOTIATIONS WITH EXXON. LEE THINKS THAT PETRONAS' HARD LINE ATTITUDE MEANS THAT THERE WILL BE NO AGREEMENT REACHED BY THE GOM'S NOV 15 DEADLINE AND THAT THIS WILL HAVE A SERIOUS IMPACT ON THE THIRD MALAYSIA PLAN. LEE THINKS THAT FINANCE MINISTER RAZALEIGH IS RESPONSIBLE FOR PETRONAS' INTRANSIGENCE AND THAT HUSSEIN DOES NOT AGREE WITH RAZALEIGH'S APPROACH. BECAUSE OF RAZALEIGH'S FIRM BASE IN UMNO AND BECAUSE HUSSEIN DOES NOT FEEL SURE OF HIS OWN PARTY POSITION YET, HUSSEIN CANNOT CHALLENGE RAZALEIGH ON THIS ISSUE NOW, ALTHOUGH LEE THINKS THAT THE
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PM MAY ATTEMPT TO NEUTRALIZE RAZALEIGH LATER. LEE SEES

RAZALEIGH'S STANCE ON THE PETROLEUM NEGOTIATIONS AS A TACTIC
IN THE FINANCE MINISTER'S PLAN TO SUCCEED HUSSEIN AS PRIME
MINISTER.
END SUMMARY.

2. PROMINENT LOCAL ATTORNEY AND POLITICIAN (GERAKAN)
ALEXANDER Y.L. LEE CALLED ON AMBASSADOR AUG 18 PRIOR TO
DEPARTURE FOR U.S. AS IVP GRANTEE. LEE, A FORMER LAW PARTNER OF
PRIME MINISTER DATUK HUSSEIN, IS AN ATTORNEY FOR EXXON. HE
TOLD THE AMBASSADOR THAT HE HAD BEEN SURPRISED THAT, AFTER
THE JULY 28 MEETING BETWEEN PRIME MINISTER HUSSEIN AND
INTERNATIONAL OIL EXECUTIVES AND THE VERY CONCILIATORY
PRIVATE MEETING THE NEXT DAY BETWEEN ESSO EASTERN PRESIDENT
L'LAUGHLIN AND HUSSEIN (WHICH LEE CLAIMS TO HAVE ARRANGED)
(REF B), PETRONAS HAS ADOPTED AN EVEN STIFFER LINE WITH EXXON
IN NEGOTIATIONS FOR A NEW OIL AGREEMENT. LEE SAID THAT ON
AUG 12 PETRONAS PRESENTED IN WRITING ITS MOST OBJECTIONABLE
PROPOSAL TO DATE. HE FEELS THAT PETRONAS' POSITION IS SO
EXTREME THAT THERE IS LITTLE CHANCE NOW THAT AN AGREEMENT
CAN BE REACHED BY THE NOV 15 DEADLINE SET AT THE JULY 28
MEETING.

3. LEE SAID THAT A FAILURE TO COME TO AGREEMENT WITH EXXON
WOULD INFLUENCE NEGOTIATIONS WITH OTHER COMPANIES, INCLUDING
SHELL, AND WOULD HAVE A SERIOUS IMPACT ON THE THIRD MALAYSIA PLAN
(TMP). ACCORDING TO LEE, ALTHOUGH THE TMP ALLOWS ONLY FOR THE
"NATURAL EXPANSION" OF CURRENT PETROLEUM PRODUCTION (FROM 150,000
BPD TO JUST OVER 200,000 BPD) AND DOES NOT TAKE INTO ACCOUNT
NEW PRODUCTION WHICH MIGHT ARISE FROM THE CURRENT NEGOTIATIONS,
THERE IS A GOOD CHANCE THAT IF SHELL CANNOT COME TO AGREEMENT
ON THE TERMS FOR DEVELOPING NEW FIELDS, THEY MIGHT JUST PULL
OUT ENTIRELY FROM MALAYSIA AND ABANDON THEIR SARAWAK FIELD.
THUS THE REVENUE FROM CURRENT PRODUCTION WOULD BE LOST
UNTIL ANOTHER COMPANY COULD COME IN AND RESUME PRODUCTION
AND THIS WOULD PRESUMABLY TAKE SEVERAL YEARS.

4. LEE SEES PETRONAS' HARD LINE AS LARGELY THE WORK OF
FINANCE MINISTER TENGKU RAZALEIGH HAMZAH AND DOES NOT THINK
THAT PRIME MINISTER HUSSEIN AGREES THAT THE MALAYSIAN
GOVERNMENT SHOULD TAKE SO STRONG A POSITION WITH EXXON AND
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THE OTHER COMPANIES THAT NO AGREEMENT CAN BE REACHED. LEE
CONFIRMED THAT HUSSEIN FELT UNCOMFORTABLE ON THE DAY OF THE
OPEN MEETING WHEN HE PRESENTED THE ULTIMATUM TO THE COMPANIES
AND HE REPEATED THE STORY THAT RAZALEIGH HAD THREATENED TO
RESIGN IF HUSSEIN DID NOT SUPPORT HIM IN THE CONFRONTATION.
IN HIS VIEW, HUSSEIN IS VERY UNEASY WITH RAZALEIGH'S STRONG
NATIONALIST LINE ON THE OIL NEGOTIATIONS AND IS CONCERNED WITH
THE EFFECT THIS IS HAVING ON THE FOREIGN INVESTMENT CLIMATE

IN GENERAL. HOWEVER, RAZALEIGH HAS A FIRM BASE WITHIN UMNO (LARGELY BECAUSE HE WAS PARTY TREASURER FOR YEARS AND MANY PEOPLE OWE HIM FAVORS) AND HUSSEIN, WHOSE POSITION WITHIN THE PARTY IS STILL NOT FIRM, DOES NOT DARE TO CHALLENGE RAZALEIGH NOW. BECAUSE OF THIS AND BECAUSE IT WOULD BE POLITICALLY AWKWARD TO OPPOSE RAZALEIGH AND APPEAR TO CHAMPION FOREIGN INTERESTS, HUSSEIN RELUCTANTLY WENT ALONG WITH RAZALEIGH IN THE MEETING WITH THE COMPANIES.

5. LEE FEELS, THOUGH, THAT AFTER HUSSEIN HAS MORE FIRMLY ESTABLISHED HIS POSITION IN UMNO, I.E., AFTER HE "DISPOSES OF DATUK HARUN" (THROUGH A CONVICTION IN THE CURRENT TRIAL), HE WILL MAKE SOME KIND OF MOVE TO NEUTRALIZE RAZALEIGH. LEE WAS NOT SPECIFIC ABOUT WHAT HUSSEIN MIGHT DO, BUT HE RECOUNTED AN INCIDENT WHEN HUSSEIN, TALKING ABOUT THE PETROLEUM NEGOTIATIONS IN A CABINET MEETING, TOLD RAZALEIGH THAT IF HE COULD NOT RESOLVE THIS PROBLEM IT MIGHT BE NECESSARY TO GET A NEW FINANCE MINISTER. LEE THINKS THAT RAZALEIGH'S THREAT TO RESIGN IS THE SORT OF POWER PLAY THAT HUSSEIN DISLIKES INTENSELY, AND IMPLIED THAT HUSSEIN FEELS HE WOULD BE BETTER OFF WITHOUT RAZALEIGH IN THE CABINET.

6. LEE BELIEVES THAT THE EXTREMELY AMBITIOUS RAZALEIGH HAS MADE HIS MOVE TOO BLATANTLY AND TOO SOON, AND THAT HIS HANDLING OF THE PETROLEUM NEGOTIATIONS IS PART OF THAT MOVE. (HE DOES NOT, HOWEVER, THINK THAT RAZALEIGH IS DELIBERATELY SABOTAGING THE NEGOTIATIONS; HE FEELS THAT IT IS MISCALCULATION ON RAZALEIGH'S PART, NOT CALCULATION, WHICH WILL RESULT IN A FAILURE TO REACH AGREEMENT.) OTHER SIGNS OF RAZALEIGH'S PREMATURE AMBITION INCLUDE: HIS OPEN SUPPORT OF JAAFAR ALBAR OVER HUSSEIN'S CANDIDATE IN THE UMNO YOUTH PRESIDENTIAL ELECTION; AND HIS FINANCIAL SUPPORT OF BERJAYA DURING THE SABAH ELECTIONS
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IN APRIL, AN EGREGIOUS VIOLATION OF UMNO'S OSTENSIBLE NEUTRALITY. LEE CONTRASTED RAZALEIGH'S PUSHINESS WITH THE CAUTION OF JUMOTH DEPUTY PRIME MINISTER MAHATHIR MOHAMED AND PRIMARY INDUSTRIES MINISTER DATUK MUSA HITAM. MAHATHIR, SAYS LEE, HAS THE INSIDE TRACK ON BECOMING THE NEXT PRIME MINISTER AND IS NOT ABOUT TO UPSET THE STATUS QUO. MUSA FEELS THAT HE STANDS IN MUCH BETTER FAVOR WITH HUSSEIN THAN RAZALEIGH AND LIKewise DOESN'T WANT TO HURRY THINGS ALONG. RAZALEIGH, THOUGH, IS COUNTING ON THE EARLY DEATH OF HUSSEIN (BECAUSE OF HIS HEART CONDITION) AND THINKS THAT BY STAYING IN THE LIMELIGHT HE WILL HAVE A BETTER CHANCE TO MOVE OVER MAHATHIR'S HEAD INTO THE TOP JOB. LEE, WHO IS A GREAT ADMIRER OF HUSSEIN (AND THINKS THAT HIS HEALTH IS NO PROBLEM), FEELS THAT RAZALEIGH IS MAKING A MISTAKE AND MIGHT WELL SOON FIND HIMSELF OUTSIDE THE GOVERNMENT.

7. COMMENT: LEE IS WELL-INFORMED AND HAS ACCESS TO THE PRIME
MINISTER. HIS VIEWS TEND TO SUPPORT THE EMBASSY ANALYSIS IN REF A.
UNDERHILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, AGREEMENTS, NATIONALIZATION, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA04781
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760317-1187
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760839/aaaabhny.tel
Line Count: 173
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 KUALA LUMPUR 4674, 76 KUALA LUMPUR 4379, 76 KUALA LUMPUR 4353
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAY 2004 by ElyME>; APPROVED <23 SEP 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RAZALEIGH AND THE PETROLEUM NEGOTIATIONS
TAGS: ENRG, PINT, MY, EXXON
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006